Decision 15-07-008 July 23, 2015

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of its 2010 Rate Design Window Proposal for 2-Part Peak Time Rebate and Recovery of Incremental Expenditures Required for Implementation. (U39E)	Application 10-02-028 (Filed February 26, 2010)
Application of Pacific Gas and Electric Company to Defer Consideration of Default Residential Time-Variant Pricing Until Its Next General Rate Case Phase 2 Proceeding, or in the Alternative for Approval of its Proposal for Default Residential Time-Variant Pricing and for Recovery of Incremental Expenditures Required for Implementation. (U 39 E.)	Application 10-08-005 (Filed August 9, 2010)

DECISION DISMISSING APPLICATION (A.) 10-02-028 AND A.10-08-005

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DECISION DISMISSING APPLICATION (A.) 10-02-028 AND A.10-08-005

Summary

This decision dismisses two consolidated Applications filed by Pacific Gas and Electric Company (PG&E) in 2010. First, in response to a joint motion filed by PG&E and the Commission's Office of Ratepayer Advocates, Application (A.) 10-02-028, PG&E's Application for a Peak-Time Rebate (PTR) Program, is dismissed without prejudice. However, we order PG&E to prepare an updated analysis of the cost-effectiveness of its Smart Meter Upgrade project without the previously-anticipated benefits of the PTR program, and to submit this analysis as part of its evidentiary showing in its 2017 General Rate Case. Second, A.10-08-005, PG&E's Default Residential Rate Program proposal, is determined to be moot and is dismissed.

A.10-02-028 and A.10-08-005 are closed.

1. Background on the Consolidated Applications

Pacific Gas and Electric Company (PG&E) filed Application (A.) 10-02-028, its application for a Peak-Time Rebate Program, in compliance with Decision (D.) 09-03-026. As explained below, that decision approved PG&E's request to "upgrade" its previously authorized advanced metering infrastructure (AMI) program. As part of its decision, the Commission approved PG&E's proposal to implement a PTR program and ordered PG&E to propose its program in a future "rate design window" application.

In A.10-08-005, PG&E proposes a default Critical Peak Pricing (CPP) rate for residential customers. PG&E filed A.10-08-005 pursuant to D.08-07-045, which ordered PG&E to make such a proposal "30 days after any change in the law that changes the Assembly Bill (AB) 1X rate protections in a manner that could allow default or mandatory time variant rates for residential customers."

The two applications were consolidated on February 7, 2012 by a joint ruling of the assigned Commissioner and the assigned Administrative Law Judges (ALJs) in those proceedings.

The remainder of this decision discusses and addresses each application in turn, and explains our reasons for the actions we take today.

2. Dismissal of A.10-02-028

2.1. Procedural History

This proceeding has evolved over time from its origins as a straightforward compliance matter, first into an unusual proceeding in which PG&E, the applicant, reversed its testimony on the eve of evidentiary hearings and recommended instead that it be authorized <u>not</u> to implement its own proposal for a Commission-mandated program, and then to today, when we are considering a catch-all request made jointly by PG&E and Office of Ratepayer Advocates (ORA) that we take one of three actions: (1) grant PG&E leave to withdraw A.10-02-028, or (2) issue a decision rejecting A.10-02-028, or (3) dismiss A.10-02-028 without prejudice.

The proposal at the center of this matter is a program known as Peak Time Rebate, an innovative rate design for PG&E's residential ratepayers and a program that PG&E itself previously sought, in 2007. In 2009, we granted

PG&E's request to significantly upgrade its previously authorized AMI program.[1] PG&E's Upgrade application included its proposal to use the upgraded metering technology to provide a PTR program to its residential ratepayers. PTR is a rate design that offers incentives to ratepayers to reduce their usage during high-demand hours that are designated by their utility as "peak day pricing" events. Each customer's energy reduction during each event is measured against a customer-specific reference level that is calculated for each customer, for each event. Customers then receive a bill credit for each kilowatt-hour of reduced usage that they achieve during the event period.

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[1] *See* A.07-12-009 and Decision D.09-03-026 (hereinafter, "the Upgrade application" and "the SmartMeter Upgrade decision," respectively). The Upgrade application followed the Commission's earlier adoption of D.06-07-027, where the Commission first authorized PG&E to deploy an advanced metering infrastructure project. That project was intended to automate PG&E's gas and electric metering and communications network (5.1 million electric meters and 4.2 million gas meters) and consisted of investment in new metering and communications infrastructure as well as the related computer systems and software. Our expectation when adopting D.06-07-027 was that most of PG&E's existing meter inventory would be retrofitted with "communications modules" and redeployed. We adopted an original project budget of $1.7394 billion.

In the Smart Meter Upgrade decision, we approved PG&E's request to make significant additional investments in its original AMI project in order to upgrade the existing electric meters to solid state meters (i.e., to entirely replace the older meters with new meters), and to install related technology that, according to PG&E, would "create a foundation for building an infrastructure that will enable and empower new ways of looking at energy use."[2]

In the same decision we also adopted PG&E's PTR proposal. It is important to note that adopting PTR allowed us to find that the smart meter upgrade would be cost-effective, because the overall incremental benefits of the upgrade exceeded its overall incremental costs. We were able to make this finding in significant part because PTR could be provided to all residential ratepayers after they received the new solid-state SmartMeters necessary to support the program. We expected the new PTR program to provide significant incremental benefits to ratepayers. According to PG&E, the demand response achieved by these ratepayers on peak day pricing event days would result in lower usage--and bill reductions--that would help offset the cost of the new meters. To be clear: our authorization in 2009 of the additional metering investment by PG&E was inextricably linked to the ratepayer savings we expected once the PTR program became available to these ratepayers.

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[2] D.09-03-026 at 5. To summarize briefly, in A.07-12-009 PG&E proposed to significantly upgrade certain elements of its SmartMeter Program technology: incorporating an integrated load limiting connect/disconnect switch into all advanced electric meters; incorporating a Home Area Network (HAN) gateway device into advanced electric meters to support in-home HAN applications; and upgrading PG&E's electric meters to solid-state meters to support this functionality and to facilitate upgrades.

After adjusting the expected benefits of PTR based on the record in the A.07-12-009, the Commission adopted a two-tier peak time rebate incentive design for PG&E and ordered PG&E to present a proposal to implement such a design in its November 2009 rate design window filing.[3] PG&E filed this application on February 26, 2010, requesting Commission approval of its proposed PTR program and a Commission finding that its estimated incremental costs to implement the program were reasonable and prudent. Consistent with the requests made by PG&E in its application, the August 18, 2010 Scoping Memo and Ruling of the Assigned Commissioner included the following key issues within the scope of this proceeding:

- Whether to approve PG&E's two-part PTR proposal;
- Whether the costs to implement the two-part PTR were reasonable and prudent;
- The amount and manner of outreach and education to PG&E's residential customers, including customers with disabilities, low-income customers, and non-English speaking customers.

For a number of reasons, this proceeding has remained open beyond the 18 months that is typical for ratemaking proceedings at the Commission. We briefly review this procedural history below because PG&E and ORA now suggest that, in part due to the cumulative delays since this case was submitted for a decision by the Commission in June, 2012, the Commission should in some manner dispose of PG&E's application without reaching a decision on its merits.

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[3] D.09-03-026, Ordering Paragraph 9.

The first delay in this proceeding occurred on October 6, 2010, when the assigned ALJ issued a ruling suspending the original schedule established in the August 18, 2010 Scoping Memo. The ruling noted that in A.10-08-005 PG&E had proposed default residential Peak Day Pricing, but that PG&E recommended that the Commission actually defer consideration of these proposed rates until Phase 2 of its 2014 General Rate Case (GRC). PG&E suggested that, before proposing a specific rate design and outreach and education approach, the Commission, PG&E, other utilities filing similar applications, and customers could all benefit from experience in 2011 and 2012 with the default residential PTR proposed in A.10-02-028, as well as Commission-mandated default small and medium commercial and industrial peak-day pricing that would soon take effect. Thus, the October, 2010 ALJ ruling suspended the schedule in this PTR proceeding "in order to allow the Commission an opportunity to evaluate the most effective procedural approach to resolution of both A.10-02-028 and A.10-08-005."

Following the suspension of schedule, on February 8, 2011, a joint prehearing conference (PHC) was held in this PTR docket, along with the Default Residential Rate Programs (DRRP) Docket and the Southern California Edison (SCE) Dynamic Pricing Docket (A.10-09-002). The purpose of the joint PHC was to allow the Commission to develop and initiate a comprehensive and logical approach to a resolution of these dynamic pricing applications, as well as to determine the parties, positions of the parties, scope and schedule of the proceeding, and other procedural matters.

Following the PHC, on August 18, 2011, the assigned Commissioner issued an Amended Scoping Ruling which removed the suspension of schedule in the instant proceeding and set hearing and briefing dates in order to bring this matter to a conclusion. Pursuant to this Ruling, PG&E served its Updated Prepared Testimony on October 28, 2011. Shortly after filing its updated PTR testimony, on November 22, 2011, PG&E filed a motion to consolidate the issues in this PTR application with the issues in the DRRP Docket, A.10-08-005. On February 7, 2012, a Joint Ruling of the Assigned Commissioner and the Assigned ALJs granted the Motion to Consolidate. However, the Ruling also declined to vacate the schedule in this proceeding, slightly extending it instead.

On March 13, 2012, the Commission's Division of Ratepayer Advocates (DRA) and the Center for Accessible Technology (CforAT) served testimony in response to PG&E's Updated Prepared Testimony.[4] PG&E served rebuttal testimony on April 3, 2012. However, in a major departure from its October 28, 2011 testimony, PG&E now specifically requested a suspension and delay of the implementation of PTR in its territory, and, for the first time, offered substantive testimony supporting its new position.[5] Because this testimony was

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[4] On September 26, 2013, DRA was renamed the Office of Ratepayer Advocates (ORA) pursuant to Senate Bill 96 (Stats. 2013, ch. 356). This decision retains references to "DRA" for purposes of clarity.

[5] *See*, for example, Exhibit PG&E-2 at 2-1: "Default PTR is flawed, is not a customer-friendly way of introducing dynamic rates, and should not be implemented." This contrasts with PG&E's October, 2011 Updated Testimony. Although that filing purported to be in compliance with D.09-03-026, each chapter of that testimony begins with a sentence similar to the following: "In this proceeding, PG&E's primary recommendation is to consolidate the California Public Utilities Commission's consideration of a 2-part Peak Time Rebate program for residential electric ratepayers with the Default Residential Rate Programs Application (A.10-08-005)." While never

Footnote continued on next page

only filed as rebuttal to intervenor testimony, just 20 days prior to hearings, much of PG&E's new assertions were addressed for the first time in the evidentiary hearings held April 23 through April 27, 2012, as well as in parties' post-hearing briefs. Opening briefs were served by PG&E, DRA and CforAT on May 22, 2012 and reply briefs were served by PG&E and DRA on June 7, 2012. On June 18, 2012, PG&E requested final oral argument in this proceeding.

2.2. November 1, 2013 Joint Motion Requesting Leave to Withdraw A.10-02-028

On November 1, 2013, PG&E and ORA (collectively, the Joint Parties) filed a Joint Motion requesting leave to withdraw A.10-02-028.[6] The Joint Parties also requested that the Commission take official notice, under Rule 13.14, of the materially changed facts that support such withdrawal. Finally, the Joint Parties requested that the Commission take expedited action to stay or extend the procedural deadlines in this proceeding, pending a ruling on the Joint Motion.

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stating exactly what PG&E envisioned would happen in the consolidated proceeding, each chapter continues along the lines of "Should the Commission reject PG&E's primary recommendation and instead decide to proceed with PTR, PG&E presents" the details of its proposal for a PTR program that could be implemented beginning in May, 2013. In other words, the October, 2011 testimony did not explain why PTR should not proceed, and thus offered nothing of substance to which the subsequent intervenor testimony could respond.

[6] November 1, 2013, *"Joint Motion of Pacific Gas and Electric Company and the Office of Ratepayer Advocates for Leave to Withdraw Application and to Take Official Notice of Material Factual Changes Supporting Withdrawal"* (hereinafter, "November 2013 Joint Motion").

On November 5, 2013, CforAT filed a response to the Motion. CforAT supported the request to grant leave for PG&E to withdraw its application and for the Commission to take notice of new factual developments, provided that the Commission "expressly recognize [CforAT's] right to seek intervenor compensation for its work in this proceeding, notwithstanding that the requested withdrawal of the application would mean that there would be no decision on the merits" of PG&E's proposal.[7]

Joint Parties offered three substantive reasons as the basis for withdrawal of the application. The first reason related to Rulemaking (R.) 12-06-013, the Commission's Rulemaking regarding residential rate design.[8] Joint Parties state that "ORA and PG&E now both agree that it would be premature for the CPUC to hear and rule on a new residential peak day pricing program for PG&E, such as PTR, before the outcome of the OIR [Order Instituting Rulemaking] is known."[9] Second, the Joint Parties asserted that the record in this proceeding is stale: "evidentiary hearings ended on April 27, 2012, and it has been almost a year and a half since the record was submitted on June 7, 2012."[10] Third, the Joint Parties asserted that new facts have come to light: "reported data from two southern California utilities' roll-outs of default PTR that has since caused the Commission to order those utilities not to continue their default PTR

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[7] November 5, 2013, *Response to Joint Motion for Leave to Withdraw Application* at 1.

[8] Rulemaking 12-06-013 *"Order Instituting Rulemaking On The Commission's Own Motion To Conduct A Comprehensive Examination Of Investor Owned Electric Utilities' Residential Rate Structures, The Transition To Time Varying And Dynamic Rates, And Other Statutory Obligations."*

[9] November 2013 Joint Motion at 2.

[10] *Ibid.*

programs."[11] Joint Parties requested that the Commission take Official Notice under Rule 13.14 of the information about the performance of default PTR in southern California that is contained in an Energy Division staff report,[12] as well as D.13-07-003, which, among other things, addressed the recommendations made in that staff report, and ordered SCE and SDG&E to revise their PTR programs by May, 2014 from default programs to "opt-in" programs.

2.3. January 27, 2014 Joint Ruling and Amended Scoping Memo

On January 27, 2014, a Joint Ruling and Amended Scoping Memo of the Assigned Commissioner and ALJ denied the November 2013 Joint Motion.[13] The assigned Commissioner and ALJ began by noting that PG&E appears to be seeking to be released from its responsibility to comply with a Commission order by requesting and receiving leave to withdraw an application that it filed in compliance with D.09-03-026. Such a request is more appropriately made in a timely filed petition for modification or application for rehearing, not a motion for leave to withdraw an application.[14] The assigned Commissioner and ALJ rejected each of the three reasons offered by PG&E and ORA in support of their

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[11] *Ibid.*

[12] *"Lessons Learned from Summer 2012 Southern California Investor Owned Utilities' Demand Response Programs,"* filed in A.12-12-016 and A.12-12-017 on May 1, 2013.

[13] January 27, 2014 *"Joint Ruling and Amended Scoping Memo of Assigned Commissioner and Administrative Law Judge"* (hereinafter, "January 2014 Amended Scoping Memo")

[14] Black's Law Dictionary defines "leave" as "permission or authorization to do something" and "leave of court" as "Permission obtained from a court to take some action which, without such permission, would not be allowable." PG&E and ORA surely know that it is highly uncommon practice for this Commission to act on a request such as the one under consideration here via a procedural vehicle other than a timely filed petition for modification or application for rehearing.

request for leave for PG&E to withdraw its PTR proposal. However, the Joint Ruling and Amended Scoping Memo did grant Joint Parties' request to set aside submission of the proceeding and reopen the record for the taking of additional evidence, concluding that, based on (1) the "stale" nature of the record in this proceeding and (2) the recent Commission decision addressing PTR in SCE and SDG&E territories, submission of this proceeding should be set aside and the record should be reopened for the taking of additional evidence, so that PG&E could file updated testimony by April 1, 2014 that proposed an opt-in PTR program for all of its eligible residential customers, to begin no later than May, 2015. As part of the updated testimony, PG&E was ordered to include a revised revenue requirement request for an opt-in program, and to provide a complete analysis of the cost-effectiveness of its Smart Meter Upgrade project based on implementation of an opt-in PTR program instead of the originally contemplated default program. In other words, the intent of the Amended Scoping Memo was to update the record in this proceeding in order to (1) enable the Commission to consider adoption of the same PTR program for PG&E customers as is currently being offered to customers of SCE and SDG&E, and (2) evaluate such a proposal on its merits.

2.4. February, 2014 Motion for Reconsideration and Stay of the January 2014 Amended Scoping Memo

On February 21, 2014, the Joint Parties filed a motion for reconsideration and stay of the January 2014 Amended Scoping Memo.[15] On March 5, 2014, the assigned ALJ granted the Joint Parties' request for an expedited ruling staying

[15] February 21, 2014, *"Joint Motion of Pacific Gas and Electric Company and the Office of Ratepayer Advocates for Reconsideration and Request for Expedited Stay of Ruling"* (hereinafter, "February 2014 Joint Motion").

the procedural deadlines set in the January 2014 Ruling's schedule, pending deliberations on the substantive requests in their motion. Substantively, as their "basis for reconsideration" of the Scoping Ruling, Joint Parties offered variations on the same reasons that were rejected by the assigned Commissioner and ALJ in their Amended Scoping Memo.[16] We discuss the merits of the February 2014 Motion below.

2.5. Discussion

The essence of the Joint Parties' request is that "instead of reopening the record to consider opt-in PTR, we request a decision rejecting PG&E's default PTR application."[17] In the alternative, Joint Parties suggest that A.10-02-028 could be dismissed without prejudice.[18]

We note at the outset of our discussion that the substantive and procedural approaches outlined in the January 2014 Amended Scoping Memo are reasonable. That document addressed the Joint Parties' request for leave for PG&E to withdraw A.10-02-028 and the supporting argument at some length; as noted above, the Joint Parties offer variations on those arguments in their February 2014 Joint Motion, and we see little value in refuting those points a second time. Instead, we state clearly for the benefit of PG&E and ORA that we agree with the conclusions in the January 2014 Amended Scoping Memo that

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[16] February 2014 Joint Motion at 2: "First, new facts have come to light that have caused the CPUC to reject default PTR for the other two major utilities... Second, the CPUC ordered PG&E to file a default PTR application back in 2009, but it was not until 2012 that the CPUC initiated its residential rate reform OIR (RROIR) in R.12-06-013…Third, the only party which supported default PTR – ORA – has now revised its position."

[17] *Ibid.* at 1-2.

[18] *Ibid.* at 8.

(1) the fact that the residential rulemaking remains unresolved is not, considered alone, a convincing reason to end the Commission's consideration of PTR for PG&E; (2) any problems with the state of the "stale" record in this proceeding could be solved by directing PG&E to update its testimony; and (3) Joint Parties' reliance upon D.13-07-003 as a reason that PG&E should be allowed to *withdraw* its PTR application is both illogical and unconvincing: D.13-07-003 directs SCE and SDG&E to *reconfigure* their respective PTR programs from "default" to "opt-in" programs, not to shut down the programs entirely. Logically, if Joint Parties wish to recommend that the Commission take some action based upon the Energy Division report and D.13-07-003, they should advocate for the same outcome in PG&E territory: opt-in PTR.

While we do support the stance taken in the January 2014 Amended Scoping Memo, it is also true that nearly three years have elapsed since this case was litigated in 2012, and R.12-06-013, in particular, has made much progress during that time in developing an updated record on residential ratemaking questions.[19] In light of this, we do find merits in the arguments offered by ORA in the Joint Motion. First, we note ORA's observation today that "during hearings and briefs, ORA opposed PG&E's position and supported PTR. At the time, ORA argued that there was a window of opportunity to test default PTR before the Commission launched a comprehensive review of residential rate design. Now it is clear that such an opportunity clearly is behind us."[20] The

[19] On April 21, 2015, a proposed decision was issued in R.12-06-013, addressing Phase 1 issues including rate design proposals for 2015-2018.

[20] *Ibid.* at 6.

Joint Motion further describes ORA's position that earlier in this proceeding, it made sense to offer the PTR and its "carrot-only" approach as a means of introducing time-varying rates to customers, from which we infer that ORA now believes this opportunity, too, has passed. Finally, the Joint Motion notes that ORA had concerns about the marketing costs of introducing either an opt-in or default PTR program for PG&E, but that today these concerns have essentially been subsumed by ORA's more over-arching concerns about marketing that may be better addressed by the Commission in R.12-06-013 in the context of all time-variant pricing options, rather than just PTR in the instant proceeding.

We do see merit in concentrating our resources and addressing parties' concerns about customer acceptance of any upcoming changes to customer rates in proceedings that allow us to set consistent policies across all electric utilities; our outlook applies to any related marketing issues that may come before us as well. Today, with respect to residential rate design that proceeding is R.12-06-013 and with respect to demand response that proceeding is R.13-09-011.[21] We think it is prudent to concentrate our resources on those proceedings. We expect that parties in R.12-06-013 or R.13-09-011 will raise issues related to PTR in either proceeding as warranted.

We therefore conclude that it is reasonable to dismiss A.10-02-028 without prejudice and we grant that aspect of the February 2014 Joint Motion. In doing so, we also state clearly that Joint Parties' requests that we either grant PG&E leave to withdraw A.10-02-028 or issue a decision rejecting A.10-02-028 are both denied.

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[21] "Order Instituting Rulemaking to Enhance the Role of Demand Response in Meeting the State's Resource Planning Needs and Operational Requirements."

We turn now to addressing the implications of granting PG&E's request for dismissal of A.10-02-028 with respect to the implications of the absence of PTR for the cost-effectiveness of the SmartMeter Upgrade approved in D.09-03-026. As the January 27 Joint Ruling and Amended Scoping Memo noted,

> the Joint Parties' request for withdrawal of A.10-02-028 disregards the reason that the Commission ordered PG&E to propose PTR in the first place. As demonstrated in D.09-03-026, the Commission expected that the PTR program would offer economic benefits to PG&E's residential ratepayers that would make PG&E's smart meter upgrade cost-effective. Without the net ratepayer benefit provided by PTR, the upgrade could not be found to be cost-effective.[22]

The idea that we should disregard the question of whether PG&E's Smart Meter Upgrade remains cost-effective without a PTR program is inconsistent with our reasoning in D.09-03-026. In that decision, we stated that "we believe the PTR program will encourage residential customers to reduce their peak period usage on peak days. We also agree that the program is allowable while the AB 1X rate protections remain in place. However, the PTR program should

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[22] *See* D.09-03-026, at 152-153, Tables 3 and 4, appended to today's Decision as Appendix A. As seen in those tables, in our cost effectiveness analysis, we adopted a value for Total Incremental Costs of the SMU, on a "present value revenue requirement" (PVRR) basis, equal to $749.0 million and Total Incremental Benefits of the SMU equal to $779.6 million, which results in a PVRR net benefit of $30.6 million. The adopted costs included $27.6 million for "Peak Time Rebate Program Costs" and the adopted benefits included $262.9 million for "Peak Time Rebate Demand Response Benefits". This indicates that the Commission expected a net benefit from PTR of $235 million. Without this contribution, the overall estimated net benefit of the entire Smart Meter Upgrade, $30.6 million, would turn negative. ("Present value revenue requirement" is the total annual revenue, discounted to present dollars at the time of the calculation, that is necessary to cover costs and expenses).

be regarded as a transitional program that the Commission intends to review when the AB 1X rate protections change."[23] With the passage of AB 327, the rate protections put in place by AB 1X did indeed change: where AB 1X mandated that residential customers could not be placed on a mandatory rate schedule or overlay that could have resulted in higher bills for Tier 1 and Tier 2 usage, AB 327 deleted that provision and instead prohibits the Commission from requiring or permitting the IOUs to employ mandatory or default time-variant pricing for any residential customer, except that beginning January 1, 2018, the Commission may require or authorize the IOUs to employ default time-of-use pricing to residential customers, subject to specified limitations and conditions. We note that our approval of PG&E's Smart Meter Upgrade in 2009 was based on a cost-effectiveness analysis that considered incremental costs and benefits lasting for over 20 years, through 2030. Thus, while we stated that we would *review* the program when the AB 1X rate protections changed, we did not state our intention to *end* the program at that time. It remains our responsibility to ensure that PG&E's SmartMeter program is cost-effective.

We trust that both PG&E and ORA share our point of view that PG&E's ratepayers must be assured that the Smart Meter Upgrade was a worthwhile investment of ratepayer funds. If PG&E, now with the support of ORA, is to receive permission to omit a core feature of its SmartMeter Upgrade, they must nevertheless help us to evaluate the implications of the foregone benefits. We note that the question of the likely benefits of PTR was a highly contested issue when this proceeding was litigated in 2012, and that PG&E asserted during

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[23] *Id*., at 121

briefing that it should not be held to the expected benefits adopted as part in D.09-03-026. ORA, despite its recent change of heart, disagreed strongly with PG&E's assertions while this case was litigated.[24] Irrespective of either party's position today, we require updated information regarding the cost-effectiveness of PG&E's Smart Meter Upgrade project without the inclusion of the PTR program for PG&E's customers. Therefore, just as PG&E was directed in the January 27, 2014 Joint Ruling and Amended Scoping Memo, we order PG&E to prepare an updated analysis of the cost-effectiveness of its Smart Meter Upgrade project without the previously-expected benefits of a PTR program. PG&E shall prepare this analysis by updating Table 3 and Table 4 from D.09-03-026, adding line items as necessary, and shall provide complete calculations and workpapers documenting the preparation of these tables, in both paper copy and as an electronic spreadsheet with working formulas, showing the calculation of annual cash flows for at least the same period as provided in A.07-12-009 (2008-2030).[25] PG&E is directed to submit this analysis as a stand-alone exhibit as part of its evidentiary showing in PG&E's 2017 General Rate Case, where it shall be made part of the record. We may take further procedural steps in that proceeding once we have reviewed PG&E's submittal.

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[24] For example, see ORA's May 22, 2012 Opening Brief at 5: "PG&E should be held accountable for the promise that it claimed the [Smart Meter Upgrade] project would deliver. The company convinced the Commission to add $467 million in rates for the smart meter upgrade. The money has been spent. Now PG&E wants to back out of PTR, which would result in the project losing $204 million. "

[25] D.09-03-026, Table 3 and Table 4, at 152-153. As noted above, these tables are reproduced in Appendix A of today's decision.

2.6. Request for Official Notice

In the February 21, 2014, Joint Motion, PG&E and ORA renew their prior request that the Commission, in this proceeding, take official notice under Rule 13.14 of the Energy Division Staff Report submitted in A.12-12-016 and A.12-12-017. As noted above, that report was the basis for certain findings and actions in D.13-07-003, which, among other things, ordered SCE and SDG&E to revise their PTR programs by May, 2014 from default programs to "opt-in" programs. We decline to take official notice of the Energy Division Staff Report in this proceeding. As the January 2014 Amended Scoping Memo clearly explained, the implications that any data from the southern part of California may have for the future success of PTR in PG&E's territory-where that program has not even been implemented-have not been tested by vigorous analysis, or been subject to the litigation process in this proceeding; by halting our consideration of PTR for PG&E, we are foreclosing any further opportunity to review this material. Therefore, any conclusions that may be drawn from such data would be entirely speculative, so inclusion of the Staff Report in the record of this proceeding would serve no purpose. The request of PG&E and ORA that Commission take official notice under Rule 13.14 of the Energy Division Staff Report submitted in A.12-12-016 and A.12-12-017 is denied.

2.7. Request for Oral Argument

On June 18, 2012, PG&E submitted a request for final oral argument in this proceeding. Pursuant to a June 19, 2012 ALJ ruling PG&E submitted an amended request on June 22, 2012, stating that the primary topics to be discussed by PG&E would be customer satisfaction and education, as well as other pros and cons of postponing implementation of Peak Time Rebate. Because A.10-02-028 is being dismissed without prejudice, PG&E's request is moot.

2.8. CforAT's Right to Seek Intervenor Compensation

As noted above, in its November 5, 2013 response to the November 2013 Joint Motion, CforAT requests that the Commission's decision in this matter also recognize CforAT's "right" to file a compensation request for its work in A.10-02-028.

CforAT filed a motion for party status on October 17, 2011. In its motion, CforAT sought to act as the successor to Disability Rights Advocates (DisabRA), and adopt prior filings and other material prepared by DisabRA as its own. CforAT stated its intention to represent the interests of PG&E's customers with disabilities who required effective outreach and education regarding PG&E's proposed residential PTR program. As noted by CforAT, these issues were identified in DisabRA's Protest, filed on March 29, 2010, and recognized as being within the scope of the proceeding in the Scoping Memo issued on August 18, 2010. The assigned ALJ granted CforAT's motion for party status on November 14, 2011. CforAT served written testimony on March 13, 2012 and CforAT's witness testified at hearings in April, 2012. CforAT's attorney cross examined PG&E witnesses, and filed an opening brief on May 22, 2012.

As is the case in any Commission proceeding, under the Commission's rules and pursuant to Public Utilities Code Sections 1801–1812 CforAT may request compensation for the costs associated with its participation in this proceeding. However, as is also the case in any Commission proceeding, we cannot prejudge in today's decision how the Commission may rule on a future compensation request.

3. Dismissal of Application 10-08-005

In D.08-07-045, the Commission concluded that what it termed "dynamic pricing" could: (1) align retail rates and wholesale system conditions to promote economically efficient decisions about electricity usage; (2) enable customers to better manage their electricity usage and reduce their bills; (3) improve system reliability by motivating customers to lower their usage when supply is strained; (4) align retail electricity rates with California's greenhouse gas polices; and (5) provide a building block towards a smarter, more advanced electric grid.[26] For these reasons, D.08-07-045 ordered PG&E to "file an application proposing a default CPP [Critical Peak Pricing] rate for residential customers 30 days after any change in the law that changes the Assembly Bill (AB) 1X rate protections in a manner that could allow default or mandatory time variant rates for residential customers." PG&E filed A.10-08-005 in compliance with D.08-07-045. However, in A.10-08-005 PG&E actually proposed that the Commission <u>defer</u> consideration of default residential CPP, rather than implement the compliance proposal that PG&E was offering only because it felt it was legally compelled to do so. As described above, in February, 2012, a joint ruling consolidated A.10-08-005 and A.10-02-028, and parties were invited to file legal briefs on the implications of Pub. Util. Code Sections 745(d) and 739.9 regarding the question of legally permitted residential rate designs, as well as to submit related proposals regarding their recommended residential rate designs for 2012 through 2020. Parties filed briefs and reply briefs in March and April, 2012, respectively.

With the subsequent opening of R.12-06-013 and the passage of AB 327,[27] the briefs and parties' proposals regarding future residential rate design are both moot. In R.12-06-013, the Commission stated its intention to "examine current residential electric rate design, including the tier structure in effect for residential

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26 D.08-07-045 at 2-3.

27 AB 327 (Stats. 2013, Ch. 611).

customers, the state of time variant and dynamic pricing, potential pathways from tiers to time variant and dynamic pricing, and preferable residential rate design to be implemented when statutory restrictions are lifted."[28] The scope of R.12-06-013 thus includes evaluations of future residential rate design that encompass both PG&E's proposal in A.10-08-005 and the subsequent proposals made in that proceeding by PG&E and other parties in response to the February, 2012, joint ruling. In AB 327, the Legislature repealed and added §§ 739.9 and 745 of the Public Utilities Code, thereby rendering out-of-date any briefing on the prior versions of these code sections. For these reasons, A.10-08-005 should be dismissed, and that proceeding should be closed.

4. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on June 11, 2015 by PG&E. No reply comments were filed.

Pursuant to Rule 14.3 (c), comments shall focus on factual, legal or technical errors in the proposed decision and in citing such errors shall make specific references to the record or applicable law. Comments which fail to do so will be accorded no weight. Comments proposing specific changes to the proposed or alternate decision shall include supporting findings of fact and conclusions of law.

PG&E supports the PD's dismissal of the default PTR proceeding, but not the PD's reasons for doing so. PG&E requests that the PD be modified to

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[28] R.12-06-013 at 1.

acknowledge, first, the Commission's reasons for "abandoning PTR" for both Southern California utilities and, second, that after this proceeding was submitted, the Commission initiated the Residential Rate Reform OIR which is considering the full range of potential time-variant rates.[29]

PG&E also strongly opposes the PD's recommendation that PG&E be ordered to prepare an updated analysis of the cost-effectiveness of PG&E's upgrade of its SmartMeter advanced metering infrastructure.[30]

With respect to the requirements of Rule 14.3 (c), PG&E discusses three errors in the PD, stating that the PD errs in refusing to take official notice of Commission findings on default PTR's lack of efficacy, and that the PD errs in refusing to recognize that the consideration of a default TOU end-state in the pending Residential Rates OIR is a basis for "abandoning" default PTR.[31]

Regarding the PD's refusal to take official notice of Commission findings on default PTR's lack of "efficacy," PG&E has not cited any such Commission

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[29] PG&E Comments at 1.

[30] *Id.*

[31] PG&E also states that "the PD errs in stating that the implications of Southern California data on the unlikelihood of success for default PTR in PG&E's service area 'have not been tested by vigorous analysis' or 'been subject to the litigation process in this proceeding' and therefore are 'merely speculative'." (PG&E incorrectly attributes this statement to the ALJ; but in fact it may be found in the joint Scoping Memo of then-President Peevey and the ALJ). The statement in the PD is, in fact, correct. PG&E itself acknowledges this elsewhere in its comments: "None of these new facts considered by the Commission about the actual performance of these full roll-outs of default PTR in Southern California could have been adduced before the record in PG&E's PTR proceeding was submitted, because those new facts were not available until after June 7, 2012." In other words, as the PD correctly states, the Southern California data was not reviewed or subject to litigation in this proceeding, because it did not exist when the record closed.

finding of fact to which we may refer. We therefore accord no weight to PG&E's request. PG&E again references the request made by itself and ORA that the Commission, as a basis for dismissing this proceeding, take official notice under Rule 13.14 of an Energy Division Staff Report that was the basis for D.13-07-003, which, as the PD duly notes, ordered SCE and SDG&E to revise their PTR programs by May, 2014 from default programs to "opt-in" programs.[32] Regarding PG&E's renewed request that the Commission base its decision in this proceeding on the record in A.12-12-016, et. al., we note that SCE supported the continuation of default PTR in that proceeding. In its May 15, 2013 Opening Comments on the Staff Report, SCE stated that modifications to SCE's Peak Time Rebate are premature:[33]

> The Report recommends that the PTR program (for both SCE and SDG&E) be modified from a default incentive program, to one that is opt-in. Staff makes this recommendation to reduce the potential for "free-ridership." In addition, Staff recommends that the PTR baseline should be evaluated. Although these recommendations have merit, they are premature.
>
> SCE is committed to working with Staff to improve the effectiveness and performance of its PTR program. **The program was newly launched in 2012 and SCE gained significant learnings from the launch through the results and evaluation studies.**

In other words, although the Commission did decide to change the PTR program for SCE and SDG&E from default to opt-in, SCE itself opposed this

[32] D.13-07-003 in A.12-12-016, et. al., Ordering Paragraph 7.

[33] *See*, A.12-12-016, et. al., May 15, 2013, Opening Comments of Southern California Edison Company on the Commission Staff Report Regarding Lessons Learned From Summer 2012 Southern California Investor Owned Utilities' Demand Response Programs, at 8-10, emphasis added.

recommendation by the Commission's staff. PG&E's reliance on our decision with respect to the Southern California utilities is selective and not well-founded with respect to the entirety of the record in that proceeding. We have explained several times our reasons for declining to take notice of the data from other utilities' service territories, and our reasoning is sound. We do not modify this aspect of the PD.

PG&E' remaining suggestion of error in the PD is that the PD errs in refusing to recognize that the "consideration of a default TOU end-state in the pending Residential Rates rulemaking" is a basis for abandoning default PTR. PG&E offers no convincing reasons that the PD should be based on a possible outcome in that still-undecided proceeding. PG&E does repeat ORA's reasons for reversing its recommendation that PG&E move forward with PTR; the PD actually relies on ORA's analysis of the interaction between this proceeding and the Rulemaking to reach its conclusions, so PG&E has not identified any error in this aspect of the PD.

In short, PG&E has not identified any factual, legal or technical errors in the proposed decision and we see no need to modify the PD with respect to the "errors" suggested by PG&E.

We turn next to the second topic in PG&E's comments, wherein PG&E "strongly opposes" the PD's recommendation that PG&E be ordered to prepare an updated analysis of the cost-effectiveness of PG&E's upgrade of its SmartMeter advanced metering infrastructure. We review PG&E's comments on this matter at some length, because we are concerned that PG&E has intentionally misconstrued the record and our past decisions regarding its SmartMeter program.

PG&E states that the PD's proposal to re-open the cost-effectiveness analysis for the SmartMeter Upgrade, by requiring a new cost-effectiveness showing in PG&E's 2017 General Rate Case, is unnecessary: "the most important reason for this is simple: The Commission in its SmartMeter Upgrade decision and PG&E's subsequent General Rate Cases *has already evaluated* the risk that PG&E's PTR benefits would not be realized, and approved PG&E's SmartMeter Program and Upgrade as reasonable *without* the certainty of PTR benefits."[34]

PG&E offers four lines of reasoning to support its position.

In its first argument supporting its position that it should not be required to submit a new cost-effectiveness showing in its 2017 General Rate Case, PG&E states

> in the Commission's SmartMeter Upgrade decision itself, the Commission considered whether to require PG&E to guarantee that the benefits of the PTR program would be realized as part of the overall cost-effectiveness of the SmartMeter Upgrade, *and expressly rejected the need for any guarantee*. Specifically, the Commission rejected TURN's request that PG&E guarantee such benefits, concluding instead: "We have reviewed the record in this proceeding and have adopted what we consider reasonable estimates based on that record. *It would not be appropriate to penalize PG&E, if the adopted [PTR] demand response does not materialize.*"[35]

PG&E's argument here misrepresents both D.09-03-026 and the PD's reliance on that decision. PG&E's discussion quoted above is unrelated to the PD's findings that (1) D.09-03-026 determined that benefits from implementation of PG&E's PTR proposal would contribute to the cost-effectiveness of PG&E's

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34 PG&E Comments at 8, emphasis in the original.

35 PG&E Comments at 8-9. PG&E cites D.09-03-026, mimeo, at 137-138 (emphasis added).

proposed SmartMeter Upgrade program, and (2) if PTR is not made available to PG&E's customers, the level of benefits that would otherwise accrue due to PG&E's SmartMeter Upgrade program will be reduced.

In the section of D.09-03-026 cited by PG&E, we denied a request by TURN to penalize PG&E if it failed to achieve forecasted demand response benefits from both the original PG&E AMI decision and the smart meter upgrade decision. While PG&E notes "the Commission concluded that it would not be appropriate to penalize PG&E if the expected demand response did not materialize" they omit the Commission's statement that its primary reason for denying TURN's proposal is that the Commission had *already* "adjusted PG&E's PTR and Title 24 programmable communicating thermostat program benefit estimates to what we feel are reasonable levels, in light of the record of this proceeding."[36] PG&E is also correct that in our decision in SCE's AMI proceeding, we stated that "it is not reasonable to penalize SCE for failing to meet the forecasts made in the business case"[37] but the PD is not considering penalties for PG&E: rather, it is directing PG&E to update its own "business case" to reflect that the Commission is granting PG&E's request to allow the utility not to go forward with implementation of a PTR program. PG&E's reference to "guarantees" and penalties are inapposite with respect to the question of whether the Commission should require a recalculation of the benefits of the SmartMeter Upgrade in the complete absence of a PTR program in PG&E's territory. Finally, neither SCE nor SDG&E requested that the Commission release them from their proposal to implement PTR, so the

[36] D.09-03-026 at 136.

[37] D.08-09-039 at 53.

Commission's actions with respect to those two utilities are not directly relevant here.

In its second argument supporting its position that it should not be required to submit a new cost-effectiveness showing in its 2017 General Rate Case, PG&E states

> in both the original Commission decisions approving PG&E's SmartMeter Program and Upgrade, and in subsequent PG&E General Rate Case decisions, the Commission established and approved the results of a ratemaking mechanism requiring PG&E to deliver specific monetary credits to customers reflecting PG&E's estimated operating benefits from its SmartMeter program [*see* PG&E footnote 17 below]. However, the "benefits crediting" mechanism for PG&E's SmartMeter Program did *not* include any required crediting of PTR demand response benefits [*see* PG&E footnote 18 below][38]
>
> PG&E footnote 17: D.06-07-027, mimeo, at 51- 52; D.09-03-026, mimeo, p. 153-154; D.11-05-018, mimeo, Attachment 1, at 1-11 (Section 3.5.2(c)), D.14-08-032, at 339- 40 ("The [SmartMeter Balancing Accounts] have allowed cost recovery of the expenses and capital costs for the SmartMeter Program, and they allowed the savings realized through the deployment of SmartMeter technology to flow through to customers. We grant PG&E's request [to close the SmartMeter Balancing Accounts].")
>
> PG&E footnote 18: D.06-07-027, mimeo, at 30, Table 2, Stipulated AMI Project Benefits; D.09-03-026, mimeo, at 153, Table 4.

PG&E's description of the "benefits crediting" mechanism adopted by the Commission is accurate, but relates only to the so-called "operational benefits" of the SmartMeter Upgrade (e.g., avoided field visits, improved cash flow, reduced bad debt, and the tax benefit from meter retirement); this is not relevant to the

[38] PG&E Comments at 9, emphasis in the original.

PD's requirement that PG&E update an entirely separate portion of the benefits calculation that served as the basis for the Commission's finding in D.09-03-026 that PG&E's SmartMeter Upgrade was cost-effective: the "energy conservation/demand response benefits." These two separate categories of estimated benefits are shown clearly in Table 4 in D.09-03-026, reproduced in Appendix A of the PD. PG&E's discussion of the "benefits crediting" mechanism for PG&E's SmartMeter Program offers no reason for us to revise the PD's requirement for a new cost-effectiveness showing in PG&E's 2017 General Rate Case.

In its third argument supporting its position that it should not be required to submit a new cost-effectiveness showing in its 2017 General Rate Case, PG&E states

> the SmartMeter Upgrade decision expressly approved PG&E's cost-recovery mechanism which provided that PG&E's forecasted incremental SmartMeter Upgrade costs were "deemed reasonable and will not be subject to after-the-fact reasonableness review." [*see* PG&E footnotes 19 and 20 below.] Thus the Commission in 2009 ruled that such a review was unnecessary for purposes of determining whether the costs of the Upgrade were reasonable in the first place.
>
> PG&E footnote 19: D.09-03-026, mimeo, at 154- 155.
>
> PG&E footnote 20: The analysis of incremental costs and benefits that the PD ordered be updated was based on a time-horizon extending out to 2030. Even if the CPUC wanted to change its original finding in the SMU decision rejecting any guarantee of the benefits included in PG&E's cost-effectiveness forecasts, this complex analysis would be premature to do at this time. Indeed, as noted in the CPUC's SMU decision, given the pace of innovation, there are likely to be many beneficial new technologies and programs coming into place that will utilize the SmartMeter platform. Not only were these impossible to have predicted, let alone forecast, back in 2009, but there are innovations yet to come

> that similarly cannot be predicted or forecast today. This underscores why the CPUC took the right approach in 2009.

Again, PG&E's summary of how D.09-03-026 treated the incremental *costs* of PG&E's SmartMeter Upgrade is accurate, but it is not relevant to the PD's requirement that PG&E update its estimates of the incremental *benefits* of the Upgrade. We have already discussed why the PD's requirement that PG&E update the incremental benefit calculation is reasonable, and nothing in PG&E's third argument supports modifying this aspect of the PD.

In its fourth and final argument supporting its position that it should not be required to submit a new cost-effectiveness showing in its 2017 General Rate Case, PG&E states

> Finally, the Commission in D.09-03-026 found that "when compared to the total Upgrade incremental PVRR cost of $749,015,000, the net benefit [of the Upgrade] is insignificant when considering the uncertainties in estimating the PVRR of the Upgrade costs and benefits, *especially the conservation and demand response benefits*."[39]

PG&E has misquoted D.09-03-026 and presented the Commission's (misquoted) words out of context in a manner that subtly modifies the meaning of the Commission's statements in that decision. The correct quote is presented below

> The adopted costs and benefits result in a PVRR net benefit of $(30,606,000). By this adopted analysis, the Upgrade is cost effective. However, we note that, when compared to the total Upgrade incremental PVRR cost of $749,015,000, that net benefit is small (only 4.1%). It is insignificant when considering the uncertainties in estimating the PVRR of the Upgrade costs and benefits, especially the conservation and demand response benefits. **Changes in only a**

[39] PG&E Comments at 10, citing D.09-06-023 at 152-153, emphasis added by PG&E.

> **few assumptions could make the Upgrade cost ineffective or substantially more cost effective.** Despite the narrow margin of cost effectiveness reflected in this decision, we feel it is reasonable to authorize PG&E to proceed with the proposed SmartMeter Upgrade, subject to the conditions and costs specified in this decision and will do so.[40]

The entire quote provided above indicates that the Commission recognized that the near-equality of overall costs and benefits offered narrow support for its decision, but the Commission nevertheless felt it was reasonable to authorize PG&E to proceed with the SmartMeter Upgrade because of the difficulties of making precise assumptions, and because it had thoroughly vetted PG&E's proposal and modified it as necessary. PG&E then lists five "additional factors" that the Commission cited in explaining why "despite the narrow margin of cost effectiveness reflected in this decision, we feel it is reasonable to authorize PG&E to proceed with the proposed SmartMeter Upgrade…". PG&E concludes by stating "None of these factors relates in any way to PTR benefits." PG&E's paraphrase of the factors listed in D.09-03-026 is generally accurate, but it is the fifth and final item on that list that in fact directly connects D.09-03-026 to the PD we are considering today:

> It is likely that there are other benefits that have not been quantified by PG&E or other benefits that can be realized through the upgrade technology that may arise in the future.[41]

It is information of this nature, which PG&E appears to suggest exists, that should be reflected in the updated SmartMeter Upgrade cost-effectiveness

[40] D.09-06-023 at 153-154, emphasis added.

[41] D.09-03-026 at 154.

showing in PG&E's 2017 General Rate Case.[42] We conclude that PG&E's fourth and final argument does more to lend support to the PD than to demonstrate any error regarding its approach.

In short, none of the four arguments offered by PG&E call into question the merits of the intent expressed in the PD, which is to obtain updated information from PG&E that will allow us to evaluate the implications of the foregone benefits of PTR in PG&E's territory. We decline to make any changes in the section of the PD that requires PG&E to provide an updated SmartMeter Upgrade cost-effectiveness showing in its 2017 General Rate Case.

5. Assignment of Proceeding

Liane M. Randolph is the assigned Commissioner and Stephen C. Roscow is the assigned ALJ in this proceeding.

Findings of Fact

1. In February, 2012, a joint ruling consolidated A.10-02-028 and A.10-08-005, and parties were invited to file legal briefs on the import of Pub. Util. Code Sections 745(d) and 739.9 as well as related proposals regarding recommended residential rate designs for 2012 through 2020.

2. This case was litigated in 2012, and since that time R.12-06-013 has developed an extensive and up-to-date record regarding residential ratemaking.

3. There is merit in addressing customer acceptance of any upcoming changes to customer rates in proceedings that allow us to set consistent policies

[42] For example, PG&E's updated analysis should account for D.15-07-001 in R.12-06-013, which directs PG&E, SCE and SDG&E to propose default TOU rate structures to begin in 2019. We expect that PG&E's updated analysis will also reflect updated participation rates in its Smart Rate program, and the anticipated load reductions from those levels of customer participation.

across all electric utilities; the same outlook applies to any related marketing issues that may come before the Commission.

4. Decision 09-03-026 determined that benefits from implementation of PG&E's PTR proposal would contribute to the cost-effectiveness of PG&E's proposed SmartMeter Upgrade program.

5. If PTR is not made available to PG&E's customers, the level of benefits that would otherwise accrue due to PG&E's SmartMeter Upgrade program will be reduced.

6. PG&E and ORA request that the Commission take official notice under Rule 13.14 of the Energy Division Staff Report submitted in A.12-12-016 and A.12-12-017.

7. The implications that any data from the southern part of California may have for the success of PTR in PG&E's territory have not been tested by analysis or been subject to the litigation process in this proceeding.

Conclusions of Law

1. A.10-02-028 should be dismissed without prejudice, and that proceeding should be closed, so that the Commission may concentrate its resources on ratemaking in R.12-06-013 and on demand response in R.13-09-011.

2. PG&E should prepare an updated analysis of the cost-effectiveness of its Smart Meter Upgrade project without the previously-expected benefits of a PTR program and should submit this analysis as a stand-alone exhibit as part of its evidentiary showing in its 2017 General Rate Case.

3. The request of PG&E and ORA that Commission take official notice under Rule 13.14 of the Energy Division Staff Report submitted in A.12-12-016 and A.12-12-017 should be denied because any conclusions that may be drawn from such data regarding the future success of PTR in PG&E's territory would be

speculative, so inclusion of the Staff Report in the record of this proceeding would serve no purpose.

4. PG&E's request for oral argument regarding the pros and cons of postponing implementation of PTR in its territory is moot because A.10-02-028 is being dismissed without prejudice.

5. Due to the opening of R.12-06-013 and the passage of AB 327, the legal briefing and parties' proposals regarding future residential rate design submitted in A.10-08-005 are both moot.

6. A.10-08-005 should be dismissed, and that proceeding should be closed, because the issues it was to consider are moot.

O R D E R

IT IS ORDERED that:

1. Application 10-02-028 is dismissed without prejudice.

2. The request of Pacific Gas and Electric Company and the Office of Ratepayer Advocates for a decision rejecting Application 10-02-028 is denied.

3. The request of Pacific Gas and Electric Company (PG&E) and the Office of Ratepayer Advocates that PG&E be granted leave to withdraw Application 10-02-028 is denied.

4. The request of Pacific Gas and Electric Company and the Office of Ratepayer Advocates that the Commission take official notice under Rule 13.14 of the Energy Division Staff Report submitted in Application (A.) 12-12-016 and A.12-12-017 is denied.

5. Pacific Gas and Electric Company (PG&E) shall prepare an updated analysis of the cost-effectiveness of its Smart Meter Upgrade project without the previously-expected benefits of a PTR program. PG&E shall prepare this

analysis by updating Table 3 and Table 4 from Decision 09-03-026, contained in Appendix A of this Decision, and shall provide complete calculations and workpapers documenting the preparation of these tables, in both paper copy and as an electronic spreadsheet with working formulas, showing the calculation of annual cash flows for at least the same period as provided in Application 07-12-009 (2008-2030). PG&E shall to submit this analysis as a stand-alone exhibit as part of its evidentiary showing in PG&E's 2017 General Rate Case, where it shall be made part of the record.

6. Application 10-08-005 is dismissed.
7. Application (A.) 10-02-028 and A. 10-08-005 are closed.

This order is effective today.

Dated July 23, 2015, at San Francisco, California.

MICHAEL PICKER
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
CARLA J. PETERMAN
LIANE M. RANDOLPH
Commissioners

APPENDIX A

Incremental Costs and Benefits of PG&E's Smart Meter Upgrade, as Adopted in D.09-03-026

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Adopted Incremental Costs and Benefits[1]

Table 3
Adopted Estimates of Incremental Costs

	Incremental Costs	
	Nominal	PVRR
	(Dollars in thousands)	
Deployment Costs		
Meter Devices (Less HAN and Electromechanical Meter Upgrades)	$ 310,757	$ 486,358
HAN Retrofit	26,532	24,581
Electromechanical Meter Retrofit	18,800	20,372
Information Technology	33,600	49,793
Title 24 Program Costs	-	26,174
Peak Time Rebate Program Costs	-	27,592
Project Management	-	-
Training	1,697	1,592
Risk Based Allowance	44,139	46,724
Subtotal	$ 435,525	$ 683,186
Operations and Maintenance Costs		
Operations and Maintenance	$ 4,993	$ 42,886
Risk Based Allowance	562	503
Subtotal	$ 5,555	$ 43,389
Other Costs		
Technology Assessment	$ 21,400	$ 18,995
Risk Based Allowance	4,280	3,445
Subtotal	$ 25,680	$ 22,440
Total Incremental Costs	$ 466,760	$ 749,015

[1] Source: D.09-03-026, at 152-153.

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Table 4
Adopted Estimates of Incremental Benefits

	Incremental Benefits Annualized	Incremental Benefits PVRR
	(Dollars in thousands)	
Operational Benefits		
Integrated Connect/Disconnect Switches		
Avoided Field Visits	$ (6,682)	$ (114,702)
Improved Cash Flow	(969)	(11,174)
Reduced Bad Debt	(2,429)	(26,756)
Tax Benefit from Meter Replacement	n/a	(11,799)
Subtotal	$ (10,080)	$ (164,431)
Energy Conservation/Demand Response Benefits		
Electric Conservation	n/a	$ (268,847)
Gas Conservation	n/a	0
Peak Time Rebate	n/a	(262,916)
A/C Cycling	n/a	(83,427)
Subtotal	n/a	$ (615,190)
Total Benefits	n/a	$ (779,621)

(End of Appendix A)